GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:427
ANSWERED ON:04.05.2007
RECOVERY OF DEBT BY COOPERATIVE BANKS
Owaisi Shri Asaduddin

Will the Minister of FINANCE be pleased to state:

(a) whether the Cooperative Banks in the country are facing severe financial crunch due to bad debts;

(b) if so, whether the Supreme Court has recently ruled that the Cooperative Banks cannot take recourse to the fast debt recovery procedures available to the other financial institutions and the commercial banks;

(c) if so, whether the Government proposes to amend the Cooperative Societies Act to give powers to cooperative banks to recover debt as is done by the other financial institutions;

(d) if so, the details thereof;

(e) if not, the reasons therefor; and

(f) the other steps taken or being taken by Government to help the cooperative banks in recovery of debts?

Answer

FINANCE MINISTER (SHRI P.CHIDAMBARAM)

(a) to (f) : A Statement is laid on the Table of the House.

Statement referred to Penis (a) to (f) of Lok Sabha Starred Question No. 427 to be answered on 4th May, 2007, regarding Recovery of Debt by Cooperative Banks, tabled by Shri Asaduddin Owalsi.

(a) to (f) ; In separate matters coming up before the High Courts of Mumbai and Andhra Pradesh it was held by them that a Tribunal constituted under the provisions of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 has exclusive jurisdiction, to entertain and decide applications from a Co-operative Bank for recovery of debts due to such a bank. Further, it was also held that courts and authorities under the State Co-operative Societies Act as also The Multi-state Cooperative Societies Act, 2002 would ceei.se to have jurisdiction to entertain the applications submitted by the Cooperative Banks for recovery of their dues. Aggrieved by the above, a bunch of appeals/Special. Leave Petitions were filed in the Supreme Court of India where the matter of applicability of Recovery of Debts due to Banks and Financial Institutions Act, 1993 to the Cooperative Banks established under the State Cooperative Societies Act of Maharashtra 2002 was referred by the Chief Justice of India to a three judge bench.

Reversing the judgement of the High Court, the Supreme Court held that the provisions of Debts due to banks for Financial Institutions Act 1993 are not applicable to the recovery of dues by the Co-operatives from their members. However, the provisions of the State Cooperative Societies Act and Multi-stai:e Cooperative Societies Act, 2002 would continue to be applicable for recovery of dues by the Cooperative Banks. As these observations of the Supreme Court are in line with the request made by the petitioner Cooperative Banks in their appeal petitions, this order of the Supreme Court is not likely to place the Cooperative Banks in any disadvantageous position for purpose of recovery of their dues.

For recovery oi debt Cooperative Banks can take recourse to Cooperative courts constituted under the provision of the State Cooperative Societies Act under which it is registered. They cam also take recourse to provisions of Securitisation and Reconstruction of Financial Assets and Enforcement cf Security Interest Act, 2002 for recovery of their dues. Further, RBI has also from time to time framed guidelines on one time settlement scheme for bad debts which were forwarded to State Governments i`ot notifying to Cooperative Banks in their states taking into account provisions in the State Cooperative Societies Acts/Rules.